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## Financial Management Highlights and Performance

Customs achieved for the third year in a row a primary financial management objective, the retention of an unqualified, or "clean," opinion on Customs Financial Statements, through a proactive approach to identifying and resolving problems. Process management was enhanced by the identification of performance measures for all financial management subprocesses, initiation of data collection for those measures, and the establishment of standards for more than 25 percent of measures. The redesign of Customs Asset Management Process proceeded with the approval of a fully integrated asset management system concept by the Financial Management Quality Council. The new budget structure was put into actual use in the presentation of the President's Budget this year. The OF managed Customs move to a new Headquarters building with considerable success, creating a more effective working environment. Progress was made in ensuring quality work space for all Customs employees through implementation of quality surveys and establishment of quality space as an actual property performance measure.

Service delivery was improved through the increased use of electronic commerce to handle basic financial functions. Electronic Data Interchange invoices increased to 19.8 percent of all invoices, Electronic Funds Transfer (EFT) invoice payments increased to 66.3 percent of all invoice payments, and EFT travel payments were 96.9 percent of all travel payments. Enhancements to the Customs Payroll subprocess were accomplished through Phase I implementation of the Customs Overtime and Scheduling System (COSS) nationwide. Oversight over fixed assets has been improved and a study to develop a strategic framework for managing fixed assets has been completed. Actions to improve timely acquisition support services included establishment of expectations for pre-award processing times for solicitations, based on complexity, and the collection of baseline data for measurement of processing times. We were also successful in improving Customs travel process by implementing seven specific recommendations of the Joint Financial Management Improvement Program (JFMIP).

In the area of human resource development, OF completed initial planning for a competency-based continuous learning program. Teams in the areas of Training, Communication, and Leadership/Empowerment surveyed employee concerns and issues, analyzed employee recommended actions, and are preparing comprehensive plans in their respective areas.

Significant progress was made on a number of major systems integration and enhancement initiatives. A comprehensive plan and cost/benefit analysis for Asset Management was submitted to the Customs Investment Review Board (IRB) for approval. OF assisted in continued development of important ACE segments. The violation billing prototype in Seattle was completed. Work continued on an accounts receivable subsidiary ledger. Expansion of the Cost Management Information System (CMIS) was completed with the inclusion of all ports and all processes. Phases I and II of the Seized Asset and Case Tracking System (SEACATS) development were completed. The Customs Executive Information System was implemented in OFO at all CMC locations. Work continued on making the Resource Data Warehouse available for budgetary data. Upgrades to the OF local area network and office automation infrastructure were accomplished. Finally, the program renovation for programs affected by the Year 2000 problem has been accomplished, and Customs completed all scheduled changes by the end of FY 1998.

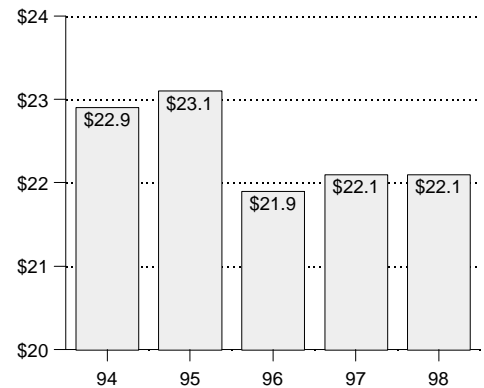
Customs financial management strategic goal is to be recognized as a leader in financial management, providing the highest quality, most cost-efficient financial management services through customer involvement, an empowered workforce, and modern, integrated financial systems. To achieve this broad goal, it has four strategic objectives for financial management in place. These are: 1) provide leadership in financial management; 2) deliver quality, cost-effective customer service; 3) establish a knowledgeable, skilled workforce; and, 4) create a framework of secure, integrated, user-friendly, financial systems. To measure Customs performance on these objectives, a series of performance measures were established. They are displayed on the next several pages.



**Goal:** Increase total revenue collections on behalf of the U.S. Government (tariff duty, user fees, excise taxes, and other assessments).

**Measured Results:** Collections remained relatively unchanged from FY 1997 collections, at \$22.1 billion.

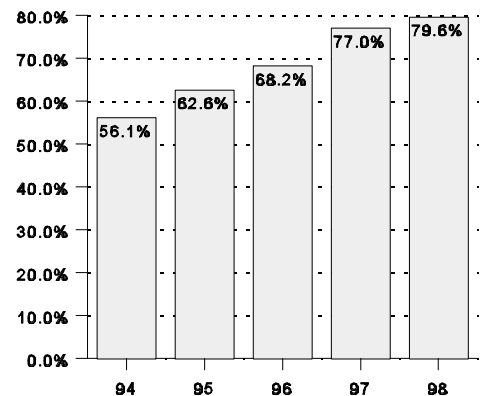
Customs administers the U.S. Trade Program by enforcing the laws governing the flow of merchandise or commerce across U.S. borders, and assessing and collecting duties, excise taxes, fees, and penalties on imported and exported goods and services. In FY 1998, Customs collected \$22.1 billion and provided \$21.9 billion of this to Treasury to fund other agency programs. Of the remaining \$187 million, Customs provided \$73 million to the Puerto Rico and Virgin Islands governments, transferred \$63 million directly to other federal agencies, and retained \$51 million to offset various program costs allowed by law and regulation. Duty and user fee collections decreased \$126 million, but were partially offset by increases in excise taxes, fines and penalties, and other miscellaneous collections.



**Goal:** Increase total revenue collections through electronic means to at least 75 percent.

**Measured Results:** Customs revenue collections through electronic means increased to 79.6 percent.

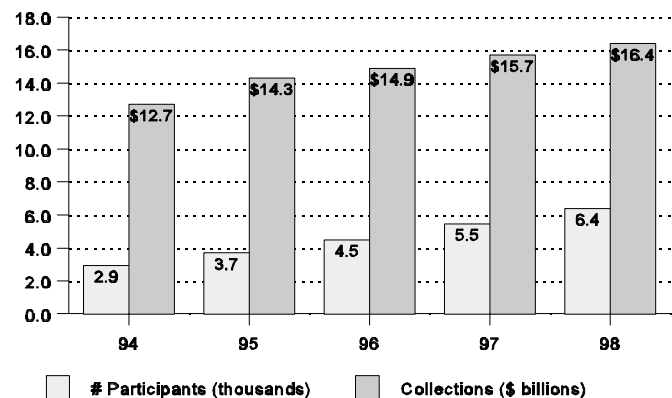
The total amount of collections received via electronic means during FY 1998 exceeded \$17.5 billion. This amount represents a continuing increase of electronic collections when compared to prior fiscal years. The primary systems used to process these electronic collections include the Automated Clearinghouse (ACH), On-Line Payment and Collection (OPAC), and Fedwire. ACH is used to process collections received from the trade community; OPAC is used to process collections from other government agencies; and Fedwire is used to process credit card and excise tax collections.



**Goal:** Increase number of ACH participants.

**Measured Results:** 6,430 members of the trade community participated for a total of \$16.4 billion in collections, an increase from prior years.

Through the ACH, many members of the trade community paid duties and other fees electronically. ACH saves Customs and its customers time and resources by replacing manual cash and check processing methods with accurate electronic payment transfers.



**Goal:** Earn an unqualified opinion on Customs Financial Statements.

**Measured Results:** Customs earned an unqualified audit opinion on its FY 1998 financial statements. This is the third consecutive year Customs has received a "clean" opinion. This is significant because in FY 1998 four new statements were required; the Statement of Net Cost, the Statement of Net Position, the Statement of Budgetary Resources, and the Statement of Financing.

**Goal:** Attain at least a 25 percent rate of invoices received through Electronic Data Interchange (EDI).



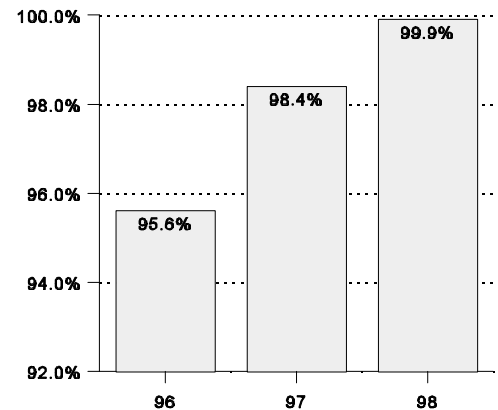
**Measured Results:** Customs EDI invoices increased to 19.8 percent of all invoices.

EDI was implemented in April 1997; therefore, FY 1998 is the first full year of implementation. EDI allows billing transactions to occur electronically in a standardized data exchange process, without paper. This requires vendors — the transmitters of billing data — and customers — the receivers of billing data — to work using standard prescribed protocols. Currently, Customs has two commodities (fuel and contract mail) on EDI. The demand for these commodities fluctuates from month to month which affects the percentage reported each month. Any significant expansion of the EDI program requires enhancement of the Asset Information Management System (AIMS) EDI module. Enhancements have been identified and prioritized; however, these enhancements have been delayed due to mandates established by Treasury.

**Goal:** Process at least 98 percent of manual travel vouchers within 15 days of receipt.

**Measured Results:** Customs processed 99.9 percent of manual travel vouchers within 15 days of receipt.

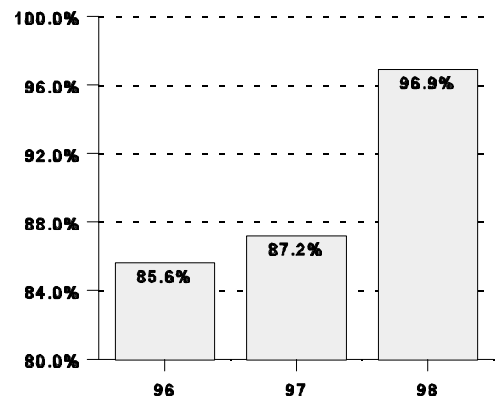
Manual vouchers are sent to the Accounting Services Division to be processed for payment. A timely reimbursement standard was set to prevent financial hardship to employees and/or delinquent government travel credit card accounts. This measure is tracked by comparing receipt dates to process dates maintained through document tracking in AIMS. Customs started measuring the numbers of vouchers processed within 15 days in May 1996.



**Goal:** Increase travel payments made by EFT to at least 85 percent.

**Measured Results:** Customs EFT travel payments were 96.9 percent of all travel payments.

Implemented in FY 1996, this measure compares all travelers' payments (check and EFT) compared to the number of EFT only travel payments. A higher percentage of EFT payments means employees receive their payments faster. It also indicates savings over the former issuing of Treasury checks for reimbursement. FY 1996 data has been provided through means outside of Customs current automated systems. Accordingly, this data was compiled and/or estimated from other existing manual records.



**Goal:** Maintain salary payments made by EFT at 96 percent or better.

**Measured Results:** 97 percent of salary payments were made by EFT.

The Debt Collection Improvement Act (Public Law 104-134) mandates the use of EFT for federal payments. By January 1, 1999, nearly all Federal payments will be required to be made by EFT. Consequently, this performance measure was established to identify the percent of employees who are receiving their salary via EFT. The higher number of employees receiving their salary by EFT also results in a reduction of Treasury's processing cost as the cost of processing an EFT is significantly less than the cost of processing a check. Customs realizes added cost savings because its related costs of processing check tracers, issuing emergency checks, and accounting for these transactions are reduced or eliminated. FY 1995 - 1996 data has been provided through means outside of Customs current automated systems. Accordingly, this data was compiled and/or estimated from other existing manual records.





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**Goal:** Cumulative results of operations from user fee activity.

**Measured Results:** Customs cumulative results of operations increased \$35 million in FY 1998, from \$981 million reported in FY 1997 to just over \$1 billion, principally as a result of user fee activity.

Customs cumulative results of operations balance is comprised primarily of user fee collections relating to merchandise and passenger processing. These user fees are used to offset Customs costs for specific inspection activity. User fees comprise approximately \$900 million of the \$1 billion balance. The remaining \$100 million is comprised of the net of invested capital and future funding requirements for liabilities not covered by budgetary resources. As of September 30, 1998, and 1997, \$640 million and \$588 million, respectively, of the total balance of user fees collected are restricted by law and not available to Customs except by appropriation.

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**Goal:** Ensure that 90 percent of all Purchase Card transactions shall be compliant with existing usage guidelines.

**Measured Results:** Customs processed 84.6 percent of all micro-purchase transactions using the Purchase Card in FY 1998.

In FY 1998, Customs completed 92,875 transactions under the micro-purchase threshold using a variety of simplified acquisition options. Of those transactions, 78,662 (84.7 percent) were made using the Purchase Card, 3,363 (3.6 percent) were made using purchase orders, and 10,850 (11.7 percent) were processed as individual calls placed against Blanket Purchase Agreements. Customs did not achieve the 90 percent goal for the following reasons: 1) use of the purchase card may have been precluded by regulation (e.g., weapons); 2) using the purchase card would not have been cost effective; 3) the customer could have requested that the purchase be completed by Customs Procurement Division; and 4) the vendor may not have accepted Purchase Card (or credit card) transactions.

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**Goal:** Prompt Payment Act: Pay at least 98 percent of all invoices timely; reduce the dollar amount of interest paid to 0.02 percent or less of the total value of invoices paid.

**Measured Results:** Customs paid 98.7 percent of invoices timely; the dollar amount of interest paid was less than 0.01 percent of the total dollar amount of invoices paid. OMB established a goal rate of 98 percent for the timely payment of all invoices and a frequency rate of 0.02 percent or less for the total number of invoices on which interest is paid. This measure identifies timely processing by both the field offices and OF. Customs met and exceeded OMB goals.

Invoices Subject to the Act	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Total Paid	\$325,475,099	\$ 283,957,190	\$ 292,544,333	\$ 331,510,780	\$338,879,832
Total Paid Late	\$ 63,692,517	\$ 33,947,975	\$ 28,170,213	\$ 17,377,661	\$ 17,307,697
Interest Paid	\$ 111,326	\$ 53,025	\$ 45,051	\$ 38,676	\$ 32,580
Interest Percentage of Total Amount Paid	0.034	0.019	0.015	0.012	0.009